EMPLOYMENT AND ECONOMIC DEVELOPMENT

Workforce Housing Development Program

DEED Annual Report
10/15/2019

Minnesota Statute 116J.549, Subd. 6, requires the Department of Employment and Economic Development (DEED) to report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over taxes and workforce development specifying the projects that received grants under the statute and the specific purposes for which the grant funds were used.

In 2016, the Minnesota Legislature tranfered new funding for this program to the Minnesota Housing Finance Agency. Therefore, this report only covers grants awarded by DEED from program inception in 2015 through 2016. This is the last report as the final project was completed in September of 2019.

Grants Awarded under Minnesota Statue 116J.549, subd. 6

All funds for the program have been awarded. In the first year of the program, six applications requesting $3.1 million were received. In February of 2016, DEED made the following awards:

> **Perham** - $620,000 to assist with construction a 24 unit apartment building. Total project cost is $2.6 million. The Workforce Housing Development Program (WHDP) funding is 24% of the project. Perham has a large workforce housing shortage and a rental housing vacancy rate of less than 1%. Barrel of Fun, KLN Brands, Arvig Enterprises, and Industrial Finishing have 1,400 employees. This project was completed in August of 2017.

> **Duluth** - $1,000,000 to assist with construction of a 72 unit apartment building. Total project cost is $13,096,727. The WHDP request is 8% of the project. Duluth has a large workforce housing shortage and a rental vacancy rate of 3.1%. The project will provide housing for Cirrus, United Healthcare, Maurices, Essentia Health, St. Lukes, and Mills Fleet Farm. These businesses will be hiring more than 1,030 employees in 2016. This was project completed in August 2018.

In the second year of the program, interest expanded. Eight applications requesting $5.9 million were received. In December of 2016, DEED awarded remaining funding to the following projects:

> **Worthington** - $868,000 to assist with the construction of a 72 unit apartment building. Total project cost is $6.5 million. WHDP is funding 13% of the project. Worthington has a shortage of workforce housing for years. Worthington has a large workforce housing shortage and a rental vacancy rate of 2.4%. The employment base includes JBS (2,300 FTE), Worthington Schools (525 FTE) and Sanford Health (350 FTE). This project was terminated due to the developer backing out and the city being unable to put an alternative project together.

> **Warroad** - $249,041 to assist with construction of a 29 unit apartment building. Total project cost is $3.7 million. Together with $685,959 of Workforce Housing Pilot Program funds, total DEED funding is 25% of the project. Workforce housing is very limited in the community and there is a rental vacancy rate of 2.1%. Marvin Windows employs more than 2,000 in Warroad with average wages of about $40,000. William S. Marvin Fund is contributing $200,000 towards the project. This project was completed in November of 2018.

> **Glenwood** - $737,600 to assist with construction of a 32 unit apartment building. Total project cost is $4.8 million. WHDP is funding 15% of the project. Glenwood has a lack of workforce housing for a growing employment base that includes Fast Global Solutions (390 FTE), Glacial Ridge Health Systems (282 FTE) and Clyde Machines (103 FTE). This project was completed in June of 2018.

Lutsen - $446,976 to assist with the construction of a 16 unit apartment building. Total project cost is $2,992,173 million. WHDP is funding 12% of the project. Many businesses in the area have stated their ability to grow is limited by a lack of workforce housing. In addition to seasonal employees, full-time year around employment includes Lutsen Resort (90 FTE), Lutsen Ski Area (40 FTE), Bluefin Bay (100 FTE), Caribou Highlands Lodge (37 FTE), and Cook County (97 FTE). This project was completed in September of 2019.